

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

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FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST

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E.O. 11652: N/A

TAGS: EAIR, HU

SUBJECT: CIVAIR -PAN AM SERVICE TO BUDAPEST

1. PAN AM DESIRES INAUGURATE SERVICE TO BUDAPEST ON MAY 22, 1975. EXCHANGE OF NOTES ATTACHED TO US-HUNGARY AIR TRANSPORT AGREEMENT OF MAY 30, 1972 (TIAS 7577) PROVIDES THAT AIR SERVICES WILL NOT BE INAUGURATED WITHOUT FURTHER AGREEMENT.

2. EMBASSY IS ACCORDINGLY REQUESTED TO PROPOSE TO GOH ASAP THAT THE TWO GOVERNMENTS ENTER INTO A FURTHER AGREEMENT, IN ACCORDANCE WITH FOLLOWING DRAFTS:

A. US DRAFT NOTE:

"I HAVE THE HONOR TO REFER TO AIR TRANSPORT AGREEMENT OF MAY 30, 1972. PURSUANT TO THAT AGREEMENT, THE USG HEREBY DESIGNATES PAN AMERICAN WORLD AIRWAYS, INC., AS
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THE US AIRLINE WHICH WILL OPERATE THE ROUTE LISTED IN

PARA A OF THE SCHEDULE TO THE AGREEMENT.

"THE EXCHANGE OF NOTES ATTACHED TO THAT AGREEMENT PROVIDE THAT AIR SERVICES BY THE DESIGNATED AIRLINE OR AIRLINES OF EITHER PARTY WILL NOT BE INAUGURATED WITHOUT FURTHER AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO ANY MATTER COVERED BY THE AGREEMENT. IN ORDER TO PERMIT THE

INAUGURATION OF SERVICE BY PAN AMERICAN WORLD AIRWAYS BEGINNING MAY 22, 1975. I HAVE THE HONOR TO PROPOSE, ON BEHALF OF MY GOVERNMENT, THAT A FURTHER AGREEMENT BE ENTERED INTO, AS CONTEMPLATED BY PARA 1 OF THE ABOVE-MENTIONED EXCHANGE OF NOTES, AS FOLLOWS:

"(1) THE US DESIGNATED AIRLINE WILL BE PERMITTED TO INAUGURATE SERVICE TO BUDAPEST BEGINNING MAY 22, 1975, PURSUANT TO THE PROVISIONS OF THE AIR TRANSPORT AGREEMENT.

"(2) THE US DESIGNATED AIRLINE WILL ENJOY THE RIGHTS SPECIFIED IN PARA B OF ARTICLE 13 IN SO FAR AS THE SALE OF AIR TRANSPORTATION FOR CONVERTIBLE CURRENCY IS INVOLVED. SALES OF AIR TRANSPORTATION FOR HUNGARIAN CURRENCY ON THE WORLD-WIDE SERVICES OF THE DESIGNATED AIRLINE OF THE US WILL BE MADE BY THE AIRLINE OF HUNGARY, ACTING AS THE GENERAL SALES AGENT FOR THE US DESIGNATED AIRLINE.

"(3) THE REVENUES EARNED FROM SALES PERFORMED UNDER PARAGRAPH (2) ABOVE MAY, AT THE OPTION OF THE DESIGNATED AIRLINE OF THE UNITED STATES, BE USED IN WHOLE OR IN PART TO COVER ITS LOCAL EXPENSES CONNECTED WITH THE OPERATION OF ITS AIR SERVICES AND WITH THE ACTIVITIES OF ITS LOCAL REPRESENTATIVES AND, WITH THE APPROVAL OF THE HUNGARIAN AUTHORITIES, FOR OTHER PURPOSES. LOCAL EXPENSES FOR WHICH SUCH REVENUES MAY BE USED INCLUDE RENT AND MAINTENANCE OF OFFICES AND HOUSING, SALARIES OF EMPLOYEES, PURCHASE AND MAINTENANCE OF COMPANY VEHICLES, ADVERTISING, LANDING AND OTHER AIRPORT FEES, AIRPORT GROUND HANDLING FEES, CATERING AND DOMESTICALLY PRODUCED ITEMS NECESSARY FOR THE MAINTENANCE AND SERVICING OF LIMITED OFFICIAL USE

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AIRCRAFT SUCH AS FUELS AND LUBRICANTS.

"(4) THESE ARRANGEMENTS MAY BE REVIEWED, AT THE REQUEST OF THE GOH, AT SUCH TIME AS THE GOH SEEKS A FURTHER AGREEMENT IN ORDER TO PERMIT THE INAUGURATION OF AIR SERVICE BY A DESIGNATED AIRLINE OR AIRLINES OF HUNGARY.

"IF THIS PROPOSAL IS ACCEPTABLE TO YOUR GOVERNMENT, I

HAVE THE HONOR TO PROPOSE THAT THIS NOTE AND YOUR REPLY TO THAT EFFECT CONSTITUTE A FURTHER AGREEMENT BETWEEN OUR TWO GOVERNMENTS, AS CONTEMPLATED BY PARAGRAPH 1 OF THE EXCHANGE OF NOTES ATTACHED TO THE AIR TRANSPORT AGREEMENT, WHICH SHALL ENTER INTO FORCE TO THE DATE OF YOUR REPLY."

B. HUNGARIAN DRAFT NOTE:

"I HAVE THE HONOR TO REFER TO YOUR NOTE OF TODAY'S DATE WHICH READS AS FOLLOWS: (TEXT OF US NOTE).

"I HAVE THE HONOR TO CONFIRM THAT THE FOREGOING PROPOSAL IS ACCEPTABLE TO MY GOVERNMENT."

3. FOLLOWING NEGOTIATING GUIDANCE PROVIDED:

A. IN VIEW SHORT TIME ELEMENTS, AS WELL AS DESIRE AVOID NEGOTIATING THE BASIS FOR MALEV SERVICE TO US AT THIS TIME, WE WANT CONFINE AGREEMENT TO PAN AM SERVICES. WE NOT AWARE ANY MALEV DESIRE SERVE US AT THIS TIME.

B. GOH MAY INSIST IT MUST HAVE RIGHT TERMINATE AGREEMENT RE PAN AM'S SERVICES IF US SUBSEQUENTLY FAILS AGREE TO MALEV SERVICE. IF SO, WE PREPARED ACCEPT WORDING TO THIS EFFECT, WHICH WE WILL PROVIDE OR EMBASSY MAY DRAFT.

C. PAN AM PLANS OPERATE THREE FLIGHTS PER WEEK OVER INITIAL NEW YORK/LONDON/DUSSELDORF/BUDAPEST ROUTING. WE PREFER THAT AGREEMENT NOT SO LIMIT PAN AM, BUT WILL RECONSIDER IF NECESSARY. HOWEVER, WE PROBABLY COULD NOT AGREE TO LIMIT ROUTING TO THAT INITIALLY PLANNED BY PAN AM, SINCE PAN AM MIGHT WISH CHANGE ROUTING IN FUTURE.
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D. MALEV'S REPRESENTATION IN US IS CURRENTLY RESTRICTED BY TERMS OF EMBASSY'S AIDE MEMOIRE OF JUNE 23, 1971. WE DO NOT CONSIDER THAT PROPOSED AGREEMENT CHANGES THESE RESTRICTIONS.

4. EMBASSY SHOULD SEEK GUIDANCE ON ANY SUBSTANTIVE QUESTIONS WHICH ARISE.

5. WHEN NOTES AGREED, DEPARTMENT WILL OBTAIN NECESSARY AUTHORITY FOR SIGNATURE. KISSINGER

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